

AR34

TransCanada PipeLines

Annual Report 1971



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JAMES M. CAMERON, VICE-PRESIDENT AND GENERAL COUNSEL

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GORDON A. LESLIE, P.GEOL., VICE-PRESIDENT, GAS SUPPLY

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CARLTON C. WHITAKER, VICE-PRESIDENT, ENGINEERING AND OPERATIONS

DONALD M. JOHNSTON, SECRETARY

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Compressor
Station No. 49
and homes of
employees at
Kenora, Ontario



Operations	1971	1970
Operating revenues	\$318,001,584	\$281,485,433
Operating profit	56,998,814	51,076,681
Net income	22,249,258	20,088,517
Funds provided from operations . . .	43,328,815	40,198,712
Dividends declared		
Preferred shares	5,620,548	5,509,670
Common shares	8,302,815	8,287,669
Net income per common share		
Actual	2.01	1.76
Fully diluted	1.91	1.71
Dividends declared, per common share .	1.00	1.00
Gas Sales (millions of cubic feet)		
Annual volume	830,700	737,900
Maximum day, natural gas delivered for sale and transportation	2,803	2,696
Gas Transmission Plant (at December 31)		
Gross plant	\$995,050,969	\$853,935,241
Miles of pipeline (including loop line) .	4,007	3,797
Number of compressor stations	47	47
Compressor horsepower (including mobile units)	857,990	854,825

1971 was an eventful year for TransCanada. Some of the more significant developments were:

- the volume of natural gas transmitted to market reached a new high level;
- revenues reached a record high after twelve consecutive years of growth;
- the market demand for natural gas increased more rapidly than in any other previous year;
- the TransCanada system was expanded to increase throughput by 9% and plans for continuation of the long term growth of the system were initiated;
- to allow financing of the 1972 expansion of the pipeline system, TransCanada's three major Ontario distribution customers agreed to a 2.1¢ per Mcf price increase effective from January 1, 1972.
- long term planning of the Company's future development, including participation in the Northwest Project Study Group and preliminary plans for transportation of gas from Arctic islands and the Atlantic Shelf, continued through the year;
- after losses in 1969 and 1970 Great Lakes Gas Transmission Company showed a modest profit in 1971.
- it became apparent that a higher wellhead price is necessary to create vigorous exploration for new gas reserves that will be required to meet future growth.

Net income per common share was \$2.01, 14% above \$1.76 per share in 1970. The net income before provision for dividends on preferred shares was \$22,249,000, up from \$20,089,000 the previous year. The 1971 operating revenue reached a new high of \$318,002,000 compared with \$281,485,000 in 1970. The 1971 cash flow from operations was \$43,329,000, or \$5.21 per common share.

A new record volume of 831 billion cubic feet was transported through the system during the year. This gas volume growth was 13% above the previous year. A new record peak day was established in 1971 at 2,803 Bcf.

If all planned expansion is completed, the annual volume of gas delivered to market will increase 14% in 1972 to 950 Bcf and another 9% in 1973 to approximately 1040 Bcf.

The Company's 1971 construction program was completed on schedule at a cost of \$69,296,000. Because of unusually large market requirements, the 1972-1973 expansion programs will be much larger than in any previous year. Accordingly, work was commenced on the 1972 program during 1971, in order to provide winter work, and to take advantage of lower costs of clearing and grading operations during off seasons. As a result, TransCanada expended \$73,724,000 on the 1972 program during the latter part of 1971. Work is now proceeding on the balance of the Company's 1972 construction which received final approval in late 1971. The portion of the 1972 program which has been approved by the

National Energy Board involves the addition of 489 miles of pipeline and 19,000 compressor horsepower at an estimated cost of \$196,451,000. In December of 1971 the Company applied to the National Energy Board to construct additional facilities in 1972 and 1973 required to meet market demands for natural gas as of November 1, 1973.

Subject to the receipt of satisfactory approvals from the National Energy Board, the proposed total 1972-1973 expansion program will cost an estimated \$624,238,000. This amount exceeds the 1958 cost of the complete initial TransCanada system. This program includes the addition of 886 miles of new pipeline in 1972 and 586 miles in 1973, and during the two-year period 121,500 horsepower of new compressor equipment will be added.

The Company successfully negotiated a 2.1¢ per Mcf increase in the price of gas sold to its major Ontario customers commencing January 1, 1972 which allowed the Company to finance its 1972 expansion program.

On January 10, 1972, the National Energy Board issued its decision on Phase I of the TransCanada rate application and fixed your Company's rate base at \$663,250,272 during 1970, the test period. In addition, the National Energy Board determined that a rate of return of 9% on the rate base was fair and reasonable.

TransCanada has filed rate schedules with the Board that are designed to achieve the increased revenue permitted by the Board's decision. It is hoped that the hearing on this second phase of the rate case will begin shortly. It must be recognized that the Company cannot invoice its customers at the new rates until the proposed rate schedules are approved by the National Energy Board.

As a consequence of the energy shortage now apparent in the United States, and the increased costs affecting the entire energy industry the price of competing fuels in the Canadian market has increased significantly over the past eighteen months. This energy shortage along with anti-pollution regulations, has created a large demand for natural gas in eastern Canada.

Producers' costs have increased, and prices of sulphur, produced with natural gas in the more prolific prospective areas in western Canada have decreased dramatically in the past two years. Under these circumstances, additional incentives must be provided by a higher field price for new gas if adequate exploratory activity in these areas is to be maintained.

It is fortunate that the increases in alternative fuel prices will allow gas to stay competitive in the market place.

The Company continued to be active in the securities markets during 1971. In March 1971 as reported in the 1970 Annual Report, the Company sold in Canada \$50,000,000 of 9% Sinking Fund Debentures Series C.



James W. Kerr, Chairman and Chief Executive Officer,
Vernon L. Horte, President

In July 1971 the Company sold privately \$5 million Cumulative Redeemable Preferred Shares. During the last quarter of 1971 the Company actively re-entered the commercial paper markets, and at year end the Company had \$40,000,000 of these notes outstanding.

On March 1, 1972, a Special General Meeting of Shareholders ratified and sanctioned By-law 23 which created a class of 2,500,000 Second Preferred Shares. Subsequently the Company sold in Canada \$125,000,000 of \$2.65 Cumulative Redeemable Convertible Second Preferred Shares Series A. During 1972 the Company anticipates that further long-term financing will be necessary.

At the Special General Meeting of Shareholders on March 1, 1972, the Company announced that it was considering applying for Letters Patent under the Canada Corporations Act converting the Company from a Special Act Company to a Letters Patent Company. Your directors have now passed a resolution authorizing such an application which will be presented to the shareholders for approval at the Annual and Special General Meeting of Shareholders on April 18, 1972.

TransCanada continued during the year its active participation in the Northwest Project Study Group and Mackenzie Valley Pipeline Research Limited. In both projects important research continued into gas and oil pipeline construction and operations in the far north. It is now apparent that the immense gas reserves already discovered in Alaska and the Northwest Territories could be of very great importance to both Canadian and United States markets in the late 1970's and early 1980's and that to bring these reserves to markets will require international governmental, financial and engineering co-operation of a high order. Research has established that construction can take place without undesirable ecological or environmental dislocation. However, estimated costs of the Northwest Project have significantly in-

creased and the total cost of the Project is now estimated at approximately \$5 billion.

In late 1971 the Company consolidated the exploration and production activities being carried on by Banner Petroleum Limited and Banner Petroleum (Western) Limited with the operations of TransCanada GasProducts Ltd., under the name of TransCanada GasProducts Ltd., with executive offices in Calgary, Alberta. A new extraction plant at Empress, Alberta, and fractionation and other related facilities costing approximately \$42,000,000 owned jointly by TransCanada GasProducts and Dome Petroleum Limited were constructed during 1971 and commenced operations in early 1972. It is anticipated that by segregating its non-pipeline operations under one subsidiary, the Company's ability to diversify will be significantly improved, and that the subsidiary's operations will become self-supporting at an earlier date.

After substantial losses during 1969 and 1970, it was gratifying that the Great Lakes Gas Transmission Company earned a profit of \$1,245,000 during 1971. This company, in which TransCanada has a one-half interest, completed a \$31,400,000 construction program during the year. In 1972 Great Lakes will be operating under new rates approved by United States regulatory authorities.

There were several changes in the membership of your Board of Directors in April last year. Mr. T. H. Atkinson, Mr. E. L. Kennedy, Mr. E. D. Loughney, Mr. N. J. McNeill and Mr. G. Harry Thompson all retired from the Board. It is appropriate once again to record in this Annual Report the gratitude of the shareholders of TransCanada for the distinguished service rendered by these retiring Directors.

The Shareholders at the Annual Meeting in April, 1971 approved a By-law reducing the number of Directors from 21 to 18. Mr. H. C. Pinder and Mr. J. M. Taylor were elected to fill the existing vacancies on the Board.

Mr. H. C. Pinder, a prominent Saskatoon businessman who is President of Saskatoon Trading Company Limited and a director of several Canadian corporations, has brought to TransCanada PipeLines distinguished representation from the province of Saskatchewan. Mr. J. M. Taylor, President of PanCanadian Petroleum Limited, has had a distinguished career in the Canadian petroleum and natural gas industry and has been closely associated with many of the exciting new natural gas developments in the Canadian Arctic.

Your Company suffered a significant loss when Mr. R. A. Brown, Jr. passed away suddenly in January, 1972. Mr. Brown joined the Board in 1958 and played an important role in establishing the large Canadian content in the ownership of the Company. In addition to his many other business interests, his business acumen was always available to the Company and his initiative, advice and encouragement will be sadly missed.

At the end of 1971 the total investment in TransCanada's system was almost one billion dollars and gas was being sold at a rate of more than one million dollars per day. While increased rates will not be effective for some time, the decision of the National Energy Board indicates improved revenues for the future. However, increased gas costs and increased expenses of all types tend to offset potential increases in revenues. On the basis that future rate increases will compensate for such increases in cost and expense, the future prospects for your Company and the natural gas industry are bright. Your Company will be in an excellent position to take advantage of future growth possibilities.

The hard work and dedication of TransCanada employees were again important ingredients for the progress of the Company during the year. The men and women of TransCanada have again ably responded to new and difficult challenges. It is a privilege to record on your behalf sincere appreciation of their efforts.

On behalf of the Board,

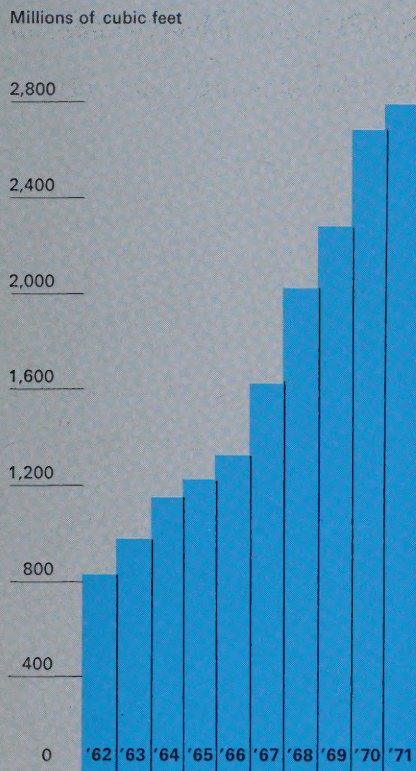


Chairman and Chief Executive Officer

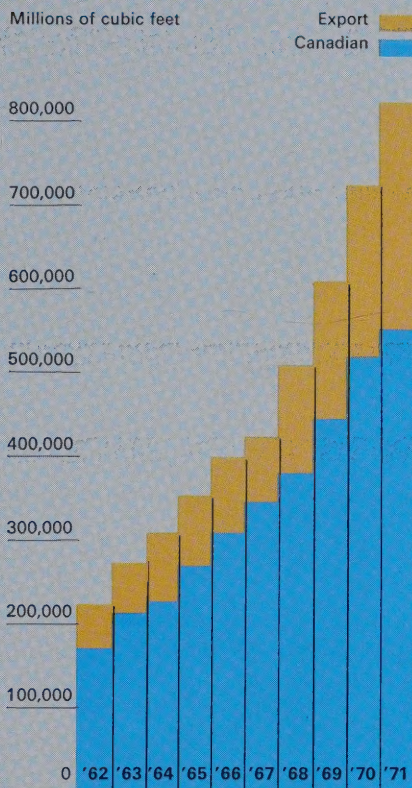
Toronto, Ontario

March 21, 1972

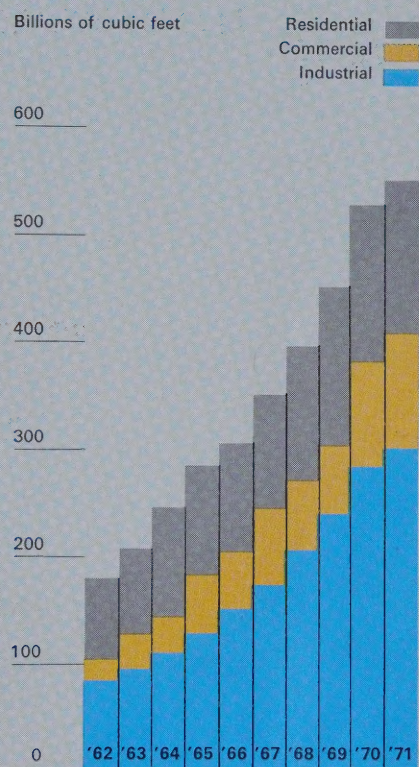
MAXIMUM DAY GAS DELIVERED FOR SALE AND TRANSPORTATION



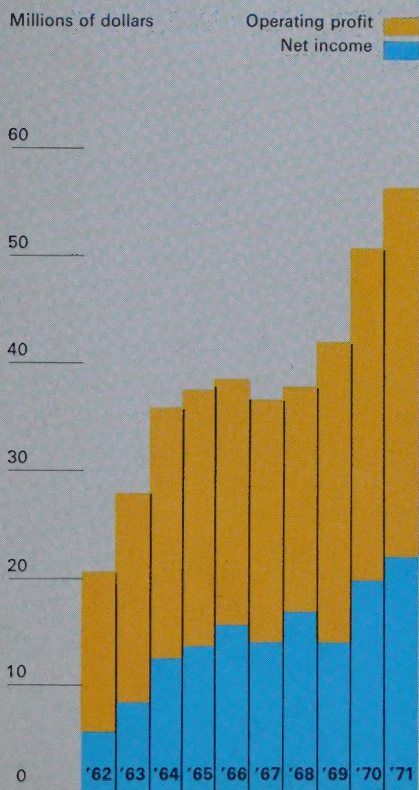
ANNUAL GAS SALES VOLUMES



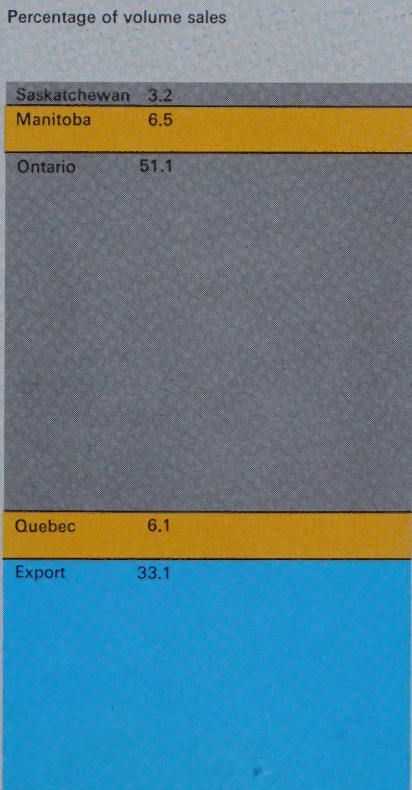
ANNUAL CANADIAN SALES BY CATEGORY



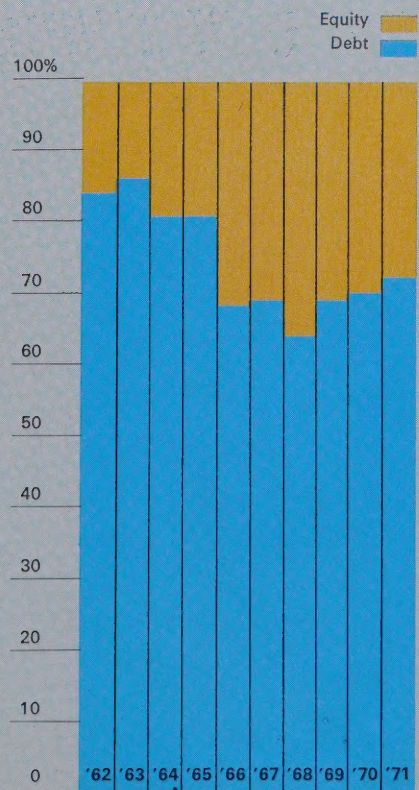
OPERATING PROFIT AND NET INCOME



WHERE THE GAS WAS SOLD IN 1971



DEBT EQUITY RATIO-PERCENTAGE



Year in review

6

Site of natural gas
discovery on Sable
Island off Nova
Scotia Coast





During 1971 the Company purchased substantial new gas reserves under very competitive circumstances. As a result of these new purchases, increases in reserves due to development drilling in the fields already under contract to the Company and the purchase in Alberta of approximately 1.5 trillion cubic feet of gas reserves from Consolidated Natural Gas, the Company's gas reserves were increased during the year by approximately 2.8 trillion cubic feet to a total of 27.3 trillion cubic feet. To December 31, 1971, 5.7 trillion cubic feet of these gas reserves had been produced, leaving a remaining reserve of 21.6 trillion cubic feet.

Gas reserves in the Milk River formation which were purchased by the Company during the year were of particular importance. This formation is deposited over a wide area in southeastern Alberta and southwestern Saskatchewan. The productive zone is porous, but with very low permeability. The gas reserves contained in this reservoir are at a low pressure as the formation lies only about 1,200 feet below the surface. The Company is the first transmission company to enter into gas purchase contracts of a type suitable for the development of this gas. As a result of these contracts the producers have had an opportunity to improve well completion techniques and the gas is now being produced and delivered to the Company from this reservoir.

In July, 1971 the Company applied to the Energy Resources Conservation Board of Alberta for authorization to remove additional natural gas from Alberta. As a result of this application the Board recommended on December 7, 1971 to the Lieutenant Governor in Council that the total quantity authorized to be removed from the Province be increased by 410 billion

cubic feet. Upon the approval of the Lieutenant Governor in Council the Company would be authorized to remove from the province a maximum daily volume of 3.16 billion cubic feet, an annual volume of 1.020 trillion cubic feet and a total volume of 22.77 trillion cubic feet. All permit volumes are at a 14.65 psia pressure base.

To fulfil the estimated requirements for the contract year commencing November 1, 1973 and to sustain a reasonable deliverability life index related to that year, the Company must purchase additional volumes of gas under long term contracts. In this regard also, the Company must obtain additional permits for the removal of gas from the province of Alberta amounting to about 110 billion cubic feet per year. The need for additional gas to meet the rapid growth in Canadian market demand is clearly demonstrated by the decision of the National Energy Board in denying export applications for 2.7 trillion cubic feet on the ground that such gas was not surplus to Canadian requirements.

Because of increasing costs in the producing segment of the industry it is apparent that higher prices must be offered by the Company for new gas if exploration and development incentives are to be maintained at a level adequate to provide the gas supplies which will be required in the future for expansion.

In the frontier areas of Canada, such as the Mackenzie River Delta, the Arctic Islands and the Atlantic Shelf, exploration has continued at an accelerated pace during the past year although the gas reserves discovered to date in these areas are still beyond economic reach. However, they will play a significant role in the future gas supply of the Company and the Company is actively following developments in these areas.

ANNUAL GAS SALES

By customer (volumes in Mmcf)	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
Saskatchewan Power Corporation	26,480	23,279	19,680	17,417	13,020	6,224	3,399	3,279	2,958	2,955
Plains-Western Gas (Manitoba) Limited	8,167	7,460	6,435	6,565	4,553	2,588	2,456	1,980	1,530	1,406
Inter-City Gas Limited	5,900	3,922	3,496	3,296	3,117	2,885	2,474	2,145	1,892	1,784
Northern and Central Gas Corporation Limited										
Ontario Division	102,192	95,642	83,695	75,805	70,089	61,523	56,874	53,049	46,530	42,503
Greater Winnipeg Gas Company	42,291	40,179	37,172	35,628	34,480	33,255	27,406	23,467	19,108	15,604
Gaz Métropolitain, Inc.	50,171	48,729	48,433	41,153	41,114	41,149	36,308	31,737	27,036	23,120
The Consumers' Gas Company	175,291	173,530	148,983	120,610	112,604	105,301	96,707	82,860	73,294	61,535
Union Gas Company of Canada, Limited	143,024	134,264	99,197	86,736	70,142	65,768	54,041	43,533	33,264	25,525
Kingston Public Utilities Commission	1,862	1,729	1,707	1,586	1,550	1,555	1,489	1,224	1,006	616
Total Canadian	555,378	528,734	448,798	388,796	350,669	320,248	281,154	243,274	206,618	175,048
Michigan Wisconsin Pipe Line Company	18,250	2,332	—	—	—	—	—	—	—	—
Midwestern Gas Transmission Company	119,483	121,752	117,792	117,197	83,718	77,148	73,988	71,366	62,785	61,954
Great Lakes Gas Transmission Company	98,995	48,934	19,895	3,665	—	—	—	—	—	—
Inter-City Gas Limited	7,021	—	—	—	—	—	—	—	—	—
Tennessee Gas Pipeline Company	22,843	28,143	11,099	455	—	—	—	—	—	—
Niagara Gas Transmission Limited	5,946	5,495	5,361	4,394	3,994	3,371	3,144	2,078	1,687	257
Vermont Gas Systems, Inc.	2,820	2,532	2,095	1,452	613	270	—	—	—	—
Total U.S. Export	275,358	209,188	156,242	127,163	88,325	80,789	77,132	73,444	64,472	62,211
Total Sales	830,736	737,922	605,040	515,959	438,994	401,037	358,286	316,718	271,090	237,259

In 1971 TransCanada's total sales were 831 Bcf, an increase of 93 Bcf over 1970. The major growth in 1971 was in the export markets served by the Company reflecting the first full year of new export sales which commenced in late 1970. Sales to the United States markets increased 66 Bcf during 1971.

During the last 10 years the Canadian market has grown at an average rate of 42 Bcf per year, and growth since 1969 has averaged 53 Bcf per year. The year 1972 will see the continuation of market expansion in Canada. The Canadian market is responding to a number of influences. The trend of increasing energy costs continued during 1971 when competing fuel prices reached the highest levels of the past 10 years.

It is anticipated that field prices for new gas reserves will rise to maintain incentives for increased exploration in producing areas, and that delivered natural gas prices will increase as a result. However, because of significant increases in competitive fuel prices, natural gas is expected to remain competitive in the future in the Canadian markets served by the Company.

Commercial sales continued to grow faster than residential sales during 1971. In most market areas, industrial and commercial establishments are increasingly influenced by pollution considerations in their choice of fuel.

In August 1971 the Company entered into agreements with its major distribution customers in Ontario under which the Company will collect, effective January 1, 1972 an increase in price of 2.1¢ per Mcf for substantially all gas delivered to these companies and consumed in Ontario. These agreements will apply until the National Energy Board fixes rates to be charged by the Company by its decision on the second phase of the Company's rate application.

In 1971 an arrangement was made with Tennessee Gas Pipeline Company whereby quantities of gas that would have been delivered during the summer were instead placed in storage and delivered during the 1971-72 winter. In addition to increasing sales revenues, this arrangement allowed the owners of storage in Ontario to make better use of their facilities.

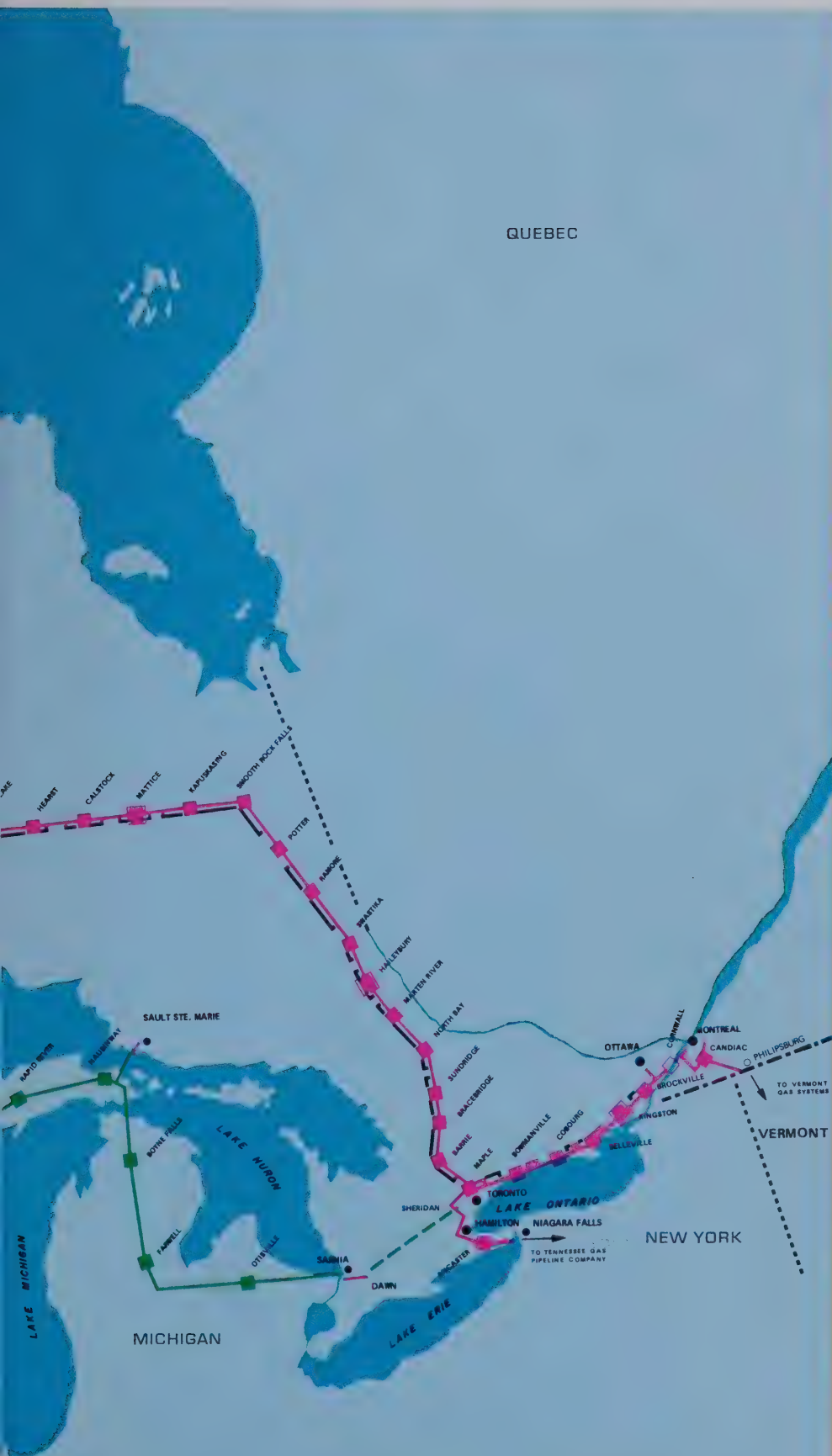
Welding during fall construction, near Huntsville, Ontario



TransCanada PipeLines and connecting systems

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		Compressor horsepower	
Station		Addi-	Total
No.	Location	tions	Dec. 31,
		1971	1971
Saskatchewan			
2	Burstall	—	58,800
5	Cabri	—	41,770
9	Herbert	—	41,770
13	Caron	—	41,600
17	Regina	—	41,770
21	Grenfell	—	41,900
25	Moosomin	—	44,600
Manitoba			
30	Rapid City	—	41,900
34	Portage la Prairie	—	41,900
41	Ile des Chênes	—	52,600
43	Spruce	—	12,100
45	Falcon Lake	—	12,000
Ontario			
49	Kenora	—	15,200
52	Vermilion Bay	—	12,100
55	Dryden	—	12,000
58	Ignace	—	15,200
60	Martin	—	12,100
62	Upsala	—	12,000
64	Raith	—	12,100
68	Thunder Bay	—	12,500
70	Hurkett	—	12,100
75	Nipigon	—	12,400
77	Jellicoe	—	12,100
80	Geraldton	—	12,500
84	Klotz Lake	—	12,100
86	Hearst	—	12,000
88	Calstock	—	12,100
92	Mattice	—	10,000
95	Kapuskasing	—	10,600
99	Smooth Rock Falls	—	9,900
102	Potter	—	12,100
105	Ramore	3,165	13,165
107	Swastika	—	10,600
110	Haileybury	—	7,700
112	Marten River	—	10,600
116	North Bay	—	10,400
119	Sundridge	—	10,600
123	Bracebridge	—	9,900
127	Barrie	—	10,600
130	Maple	—	7,900
134	Bowmanville	—	6,000
136	Cobourg	—	9,000
139	Belleville	—	6,000
142	Kingston	—	6,000
144	Brockville	—	6,000
209	Ancaster	—	3,165
Quebec			
802	Candiac	—	550
Mobile Compressor Units		—	26,000
Total		3,165	857,990

Compressor
Station General
Foreman inspect-
ing control panel
at Station No. 17,
near Regina,
Saskatchewan



1971 CONSTRUCTION PROGRAM

In 1971 TransCanada PipeLines installed 39 miles of 36-inch pipeline in Saskatchewan and Manitoba. This completed the construction of the third line from the Alberta/Saskatchewan border to Winnipeg. A fourth line, 42 inches in diameter, was commenced with the installation of 138 miles in Alberta, Saskatchewan and Manitoba. In Ontario 33 miles of 36-inch pipeline was installed.

A turbine compressor unit of 3,165 horsepower was added to the existing station at Ramore, Ontario.

This program was completed on schedule at a cost of \$69,296,000.

1972 CONSTRUCTION PROGRAM

Approval of the Company's initial 1972 construction program was received in the latter part of 1971 and work is now under way. This program includes the following major facilities: 92 miles of 42-inch pipeline will be constructed in Saskatchewan and Manitoba, 387 miles of 36-inch pipeline in Manitoba east of Winnipeg and in Northern Ontario, and 10 miles of 24-inch pipeline between Toronto and Montreal. An additional 19,000 compressor horsepower will be added to the system at existing compressor stations.

The estimated total capital cost of the presently approved 1972 program is \$196,451,000 of which \$73,724,000 was expended in 1971. The program includes miscellaneous facilities and plant modifications, for which applications will be made in the normal course.

ADDITIONAL 1972 AND 1973 CONSTRUCTION PROGRAMS

In December, 1971 the Company applied to the National Energy Board for approval of the 1973 construction program and proposed that a portion of this program be built in 1972.

The increased program to be constructed in 1972, which forms part of the large program to be placed in service in 1973, includes the following: 135 miles of 42-inch pipeline in Saskatchewan and Manitoba, 243 miles of 36-inch pipeline in Manitoba, east of Winnipeg and in Northern Ontario and 19 miles of 24-inch pipeline between Toronto and Montreal. An additional 3,500 com-

pressor horsepower will be added to the system at an existing compressor station. The estimated total capital cost of this program is \$164,177,000 including miscellaneous facilities and plant modifications for which authorization will be sought as required.

The proposed 1973 portion of the program would consist of 175 miles of 42-inch pipeline in Saskatchewan and Manitoba, 381 miles of 36-inch pipeline east of Winnipeg in Manitoba and in Northern Ontario and 30 miles of 24-inch pipeline between Toronto and Montreal. A new compressor station with 3,000 compressor horsepower would be added to the system along with 96,000 additional horsepower at existing compressor stations. The estimated total capital cost of this program, including miscellaneous facilities and plant modifications which will be the subject of separate applications, is \$263,610,000.

Included in the total program is 42 miles of 42-inch loop line which will be constructed by the Company if regulatory authorities in Canada and the United States approve a proposal by Northern Natural Gas Company of Omaha, Nebraska and its Canadian subsidiary to transport natural gas originating in Montana through the Company's system from Herbert, Saskatchewan to Emerson, Manitoba.

INTERNATIONAL PIPELINE ENGINEERING LIMITED

During 1971 TransCanada and its wholly owned subsidiary International Pipeline Engineering Limited (IPEL) completed a successful year of operation in providing specialized engineering and other services on behalf of clients in Canada, the United States, Australia and the United Kingdom. The total cost of capital projects completed exceeded \$35,000,000 in value.

While IPEL's operations have been successful to date, and have increased the engineering skills of employees of the Company, it has been decided to curtail its operations in the consulting field. It is felt that the Company's very large expansion program will absorb all engineering talents on a fulltime basis over the next two year period.

Engineering research activities will continue to be carried out by IPEL.

Because of the importance of planning TransCanada's expansion programs well in advance of actual construction, great importance is placed on this function.

The Planning and Development Department is one of the most important service departments. It assists in the preparation of all facilities applications, determines the total facilities which the Company will require to meet future market demands, continuously studies the North American energy market, and helps to evaluate all new projects.

The planning of major new pipeline facilities starts at least eighteen months before the facilities are required to ensure the most efficient design, the prior obtaining of regulatory approvals, the ordering of pipe and equipment, the acquisition of right-of-way, the letting of construction contracts, and actual physical construction. A major 1971 activity of the Department was assisting in the preparation and filing of applications to construct new pipeline facilities in 1972 and 1973.

At a time when major new gas discoveries are occurring in the far north, and off Canada's coasts, the evaluation of costs of moving the new reserves to market involves designing whole new pipeline systems. During 1971 several such studies were undertaken.

The rapidly increasing use of energy in North America and the rising cost of all forms of energy demand the constant monitoring of the development and pricing trends of other forms of energy including liquified natural gas, substitute natural gas, liquified petroleum gases, coal gasification and other natural gas reforming processes. These studies by the Planning and Development group continued during the year.

One of the more interesting new studies, which was commenced late in 1971, was the development of a corporate financial model to assist corporate decision making. This model, when completed will enable the rapid analysis by computer of the financial effect on the Company of all new proposals, and will lead to further developments in the Company's information systems.

NORTHWEST PROJECT STUDY GROUP

The Northwest Project Study Group's \$12 million feasibility study of a proposed pipeline system to transport

natural gas from the north slope of Alaska and northwest Canada to Emerson, Manitoba continued during 1971. Results to date have been encouraging and indicate engineering and ecological feasibility of the project.

The proposed pipeline system would comprise approximately 2,500 miles of 48-inch diameter pipe and the estimated cost is about \$5 billion. When fully powered the line would transport approximately 3.4 billion cubic feet of gas per day. It would tie in with the TransCanada and other existing pipeline systems to supply consumers in central Canada and the midwestern United States.

While the Canadian market by itself could not at present economically justify the construction of a gas pipeline from this area, a pipeline which would also move gas from Alaska across Canada could help make gas from northwest Canada available to Canadian consumers far earlier and more economically than would otherwise be the case.

Such factors as engineering, economics, financibility, environmental protection, route location, reserves supply and others are all being exhaustively examined by the Northwest Project.

A principal design feature of the proposed system involves refrigeration of the gas to temperatures below 32°F. in the northern areas to avoid any possible heat transfer to the ground which could, under certain circumstances, result in permafrost degradation and environmental damage.

To test this concept and to obtain a wide variety of data on northern pipeline construction and operation, the Northwest Project constructed an Arctic Test Facility at Sans Sault Rapids on the Mackenzie River north of Norman Wells, which has been in operation since March, 1971. Cost for construction and operation of the Test Facility is \$4.5 million. Compressed and refrigerated air, used to simulate natural gas, is circulated through 2,500 feet of 48-inch diameter test pipes at the Arctic Test Facility.

Environmental studies, including both wildlife and vegetation studies, are another major part of the program, at a cost of \$3.5 million. Studies on the population, habitat and other characteristic features of fish, waterfowl, caribou, fur-bearing mammals and other wildlife within the pipeline route area constitute the most extensive wildlife studies conducted by private industry in Canada.

Design studies, on which \$3.6 million has been spent or committed, include such factors as optimum pipe size; spacing and design of compressor and refrigeration facilities; metallurgical requirements; corrosion control; communications and support requirements, and others. Terrain investigation includes surface reconnaissance, test hole drilling; air-photo interpretation of black-and-white, colour and infra-red photography; and Project Geomet, which provide continuous surface and sub-surface temperature recordings to depths of up to 20 feet at nine remote sites along possible northern pipeline routes.

The six participants in the Northwest Project, who are financing these studies, are: TransCanada PipeLines, Atlantic Richfield Company, Humble Oil & Refining Company, The Standard Oil Company (Ohio), Michigan Wisconsin Pipe Line Company, and Natural Gas Pipeline Company of America. Other firms will also be invited to participate in the financing and ownership of any resultant pipeline project. Canadian investors will be given the opportunity, and will be encouraged to participate fully in both the equity and debt financing of the pipeline.

MACKENZIE VALLEY PIPELINE RESEARCH LIMITED

To obtain the benefits of additional research TransCanada is an associate member of Mackenzie Valley Pipeline Research Limited, an organization studying the feasibility of constructing crude oil pipelines from the northern regions of Canada.

Preliminary studies by this group indicate that the construction and safe operation of crude oil pipelines in the Arctic are technically and environmentally feasible. Further research and studies are needed to provide the final design. The Northwest Project Study Group is continuing its active co-operation with Mackenzie Valley in certain research studies of the northern region.



Ecological studies in the Northwest Territories include, left, inspecting new growth in grass-growing experiment to protect Arctic permafrost, at the Northwest Project, and below, tagging fish in the Donnelly River, Northwest Territories



During the year it was decided to consolidate certain of the Company's non utility operations to provide a stronger base for the generation of cash flow, and a broader scope for these and related activities in the future.

Effective November 1, 1971 TransCanada GasProducts ("GasProducts") purchased all assets of Banner Petroleum Limited and the outstanding shares of Banner Petroleum (Western) Limited, both wholly owned subsidiaries of TransCanada PipeLines. The Banner Companies have been engaged in the business of exploring for and producing petroleum and natural gas which activities will be continued by GasProducts.

The Company plans to invest \$10,000,000 to acquire additional shares in GasProducts during 1972.

From its gas extraction activities, marketing of liquified petroleum gases, and oil and gas exploration activities, it is anticipated that GasProducts will make a significant contribution to the Company's affairs in future years.

NATURAL GAS EXTRACTION

The extraction plant at Empress, built in conjunction with Dome Petroleum, commenced operations early in 1972 after the completion of start up tests. The downstream facilities including Sarnia fractionation are almost completed and it is expected that the entire project will become operational in the first quarter of 1972. GasProducts' share of the investment in this project will be approximately \$21,000,000. Of this amount \$18,000,000 was borrowed from the banks under a seven year loan agreement. In addition GasProducts and Pacific Petroleum agreed to construct additional facilities at the Pacific extraction plant to process an additional 500,000 Mcf of gas per day. GasProducts' share of this investment will be approximately \$2,000,000. The liquids extracted will be owned 50% by GasProducts and 50% by Pacific. With the completion of this expansion the two extraction plants at Empress will be capable of processing a gas stream of 3.5 Bcf/d. GasProducts will have a 50% interest on all liquids extracted from the gas stream in excess of 1.5 Bcf/d. The liquids from the first 1.5 Bcf/d are owned by Pacific.

EXPLORATION

During the past year the Company drilled or participated in the drilling of 64 wells. This program resulted in one oil discovery, and 13 gas wells. Two wells were still drilling at year end. In addition, the Company holds a royalty interest in two gas wells completed by other companies during the year and supported, by means of option agreements or acreage contributions, the drilling of five exploratory tests. The Company was most active in the Saddle Lake and Wavy Lake areas of northeastern Alberta.

The majority of the Company's interests in the Saddle Lake area have been sold, including the interests in five gas wells drilled during 1971. In the Wavy Lake area, in addition to participating in the drilling of eight gas discoveries, an interest in three capped gas wells was acquired by fulfilling the terms of a multi-well drilling program. Gas production from this area is expected to commence in September of 1972.

LAND HOLDINGS

Land Holdings at the end of 1971 totalled 4,983,130 gross acres (2,058,486 net acres) of oil and gas rights compared with 4,925,406 gross acres (2,048,082 net acres) at the end of 1970.

	Gross	Net
Alberta	900,998	357,546
British Columbia	8,308	3,590
Saskatchewan	114,400	47,850
Gulf of St. Lawrence	798,712	399,356
Hudson Bay	3,048,361	1,219,344
Ontario	2,477	2,222
Northwest Territories	31,104	8,886
Alaska	78,770	19,692
Totals	4,983,130	2,058,486

PRODUCTION AND OPERATIONS

Oil and natural gas liquids production during 1971 totalled 46,244 barrels (127 barrels per day), a 13 percent increase over 1970's production of 41,070 barrels (113 barrels per day). Natural gas sales increased 72 percent to 2,499,357 Mcf (6,848 Mcf/d) from the 1970 total of 1,449,284 Mcf (3,971 Mcf/d). At the year end, the Company held interests equivalent to 3.69 net producing oil wells and 15 net producing gas wells.

NIPISI GILWOOD C POOL


Plans for unitizing the Nipisi Gilwood C Pool are well advanced. An enhanced recovery project involving water injection has been approved by the Energy Resources Conservation Board of Alberta. This project will increase the Company's production from this area.

PHOENIX

Production of gas and associated liquid hydrocarbons will commence from Phoenix in the first quarter of 1972. TransCanada GasProducts has a 37.5 percent working interest in the production until payout of completion costs of the well, thereafter its interest will be 18.75 percent.

WILSON CREEK

Gas sales to TransCanada are scheduled to commence in April of 1972. The Company holds a 55 percent working interest in two gas wells in the area.



Aerial view of new
Dome Petroleum
Limited-Trans-
Canada Gas Pro-
ducts Ltd. extrac-
tion plant now
on-stream, near
Empress, Alberta

Information Services and Personnel

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INFORMATION SERVICES

In 1971 a new series of institutional advertisements was introduced to tell Canadians more about TransCanada and its operations, and about its contribution to the Canadian economy.

The new program is an important addition to the work of the Information Services Department of the Company. In addition to producing "Along the Line", an employee magazine, this department also publishes "Natural Gas Today" a publication which reports on new and varied applications for natural gas in Canada. Through its Information Services group the Company also makes available to schools across Canada the Company history "Pipe-Line" by William A. Kilbourn, and a wide variety of pamphlets, films and film strips.

This information about the Company is also made available upon request to shareholders, service clubs and other groups and supplements information on current activities of the Company announced from time to time by press release.

PERSONNEL

In a capital intensive Company such as TransCanada where the dollars of investment per employee are very high, the importance of the individual employee in managing and operating the Company's sophisticated transmission facilities is evident. A great many of the Company's 1,335 employees are professional and are active in their industry or academic societies. Many employees continually update their training and qualifications. During 1971, 72 employees participated in courses in gas technology sponsored by the Canadian Gas Association. A further 120 employees are taking extension courses at universities and community colleges under the Company's educational assistance plan, and 48 employees participated in workshops and seminars sponsored by the Company.

COMMON SHARES

Share distribution as at December 31, 1971

Distribution	No. of shareholders	No. of shares
Newfoundland	51	4,537
Prince Edward Island	67	3,252
Nova Scotia	589	87,180
New Brunswick	376	30,029
Quebec	2,873	2,682,023
Ontario	11,093	2,661,240
Manitoba	1,505	907,591
Saskatchewan	825	97,835
Alberta	3,006	1,039,462
British Columbia	3,852	395,889
Yukon Territory	10	231
Total Canadian	24,247	7,909,269
U.S.A.	2,977	319,898
United Kingdom	145	57,166
Other countries	183	26,044
Overall total	27,552	8,312,377

\$2.80 CUMULATIVE REDEEMABLE PREFERRED SHARES

Share distribution as at December 31, 1971

Distribution	No. of shareholders	No. of shares
Newfoundland	8	825
Prince Edward Island	19	826
Nova Scotia	182	20,678
New Brunswick	78	4,440
Quebec	643	196,079
Ontario	2,905	459,117
Manitoba	313	43,941
Saskatchewan	201	15,747
Alberta	664	55,113
British Columbia	1,204	131,763
Northwest Territories	—	—
Yukon Territory	—	—
Total Canadian	6,217	928,529
U.S.A.	25	1,706
Other countries	5	550
Overall total	6,247	930,785

\$2.75 CUMULATIVE REDEEMABLE CONVERTIBLE PREFERRED SHARES SERIES A

Share distribution as at December 31, 1971

Distribution	No. of shareholders	No. of shares
Newfoundland	15	147
Prince Edward Island	12	180
Nova Scotia	167	6,434
New Brunswick	112	5,830
Quebec	756	291,648
Ontario	3,116	272,162
Manitoba	415	356,923
Saskatchewan	310	6,550
Alberta	829	39,072
British Columbia	1,036	34,851
Northwest Territories	3	31
Yukon Territory	1	7
Total Canadian	6,772	1,013,835
U.S.A.	43	1,700
Other countries	59	1,457
Overall total	6,874	1,016,992

Great Lakes Gas Transmission Company

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Operations of Great Lakes Gas Transmission Company for the year ended December 31, 1971 resulted in a net income of U.S. \$1,245,293, and retained earnings of U.S. \$119,880 as at December 31, 1971.

During the year, Great Lakes transported a total of 325.8 Bcf of gas, of which 241.1 Bcf (74%) was delivered to TransCanada for sale in eastern Canada. The remaining 84.7 Bcf of natural gas was sold by Great Lakes to customers in the United States.

Great Lakes placed into effect on June 16, 1970 revised tariff schedules, which were approved by the Federal Power Commission ("F.P.C."). On April 16, 1971, Great Lakes filed revised tariff schedules with the F.P.C. further increasing its rates for gas transported and sold. After the maximum suspension period, the F.P.C. permitted such increased rates to become effective, as of November 14, 1971, subject to refund with interest.

Agreement as to the amount of the April 16, 1971 rate increase was negotiated with the staff of the F.P.C. and the parties to the proceedings and approved by the F.P.C. on March 1, 1972, subject to regulations of the Price Commission of the United States.

The initial audit of utility plant and other accounts by the F.P.C. is currently in progress and some adjustment in accounts may be necessary upon completion of the audit.

Great Lakes has entered into a precedent agreement with Northern Natural Gas Company providing for the transportation of gas by Great Lakes for the account of

Northern from Emerson, Manitoba, to the point of inter-connection of Great Lakes' and Northern's facilities near Carlton, Minnesota. Pursuant to this agreement Great Lakes has applied to the F.P.C. for authority to transport for Northern up to 120,800 Mcf per day of gas proposed to be produced from the Tiger Ridge gas reserves in Montana. If approved, the transportation of these volumes would require the addition of loop line facilities estimated to cost \$22,000,000.

In 1971 Great Lakes added 160,000 in compressor horsepower and other additions to its system at a total cost of \$31,400,000. The 1972 construction program estimated to cost \$8,700,000 consists primarily of the installation of 14,000 compressor horsepower, gas after-coolers at four compressor stations and the completion of the 1971 program.

Pursuant to a loan agreement dated February 5, 1971 Great Lakes increased its line of credit with five commercial banks to \$265,000,000. At the year end Great Lakes had borrowed \$260,000,000 of this credit on notes maturing December 31, 1973.

Great Lakes has filed an application with the Securities and Exchange Commission requesting an exemption from the competitive bidding requirements of the Public Utility Holding Company Act to permit negotiation of the sale of long term debt securities to replace outstanding bank loans.

GENERAL COMMENTARY

1971 operations again established new records. Sales volumes and operating revenues rose 13% over 1970. Net income applicable to common shares increased proportionately. During 1971 the return on year end common equity remained at an unacceptable level at 11.3%. On January 10, 1972 the National Energy Board issued its decision on the first phase of the Company's application for an upward adjustment in its rates. The decision found that a return of 9% on the depreciated historical cost of the utility investment would be fair and reasonable. An appropriate revision in the Company's rate structure has been submitted to the National Energy Board. A decision by the National Energy Board on the second phase of the rate case is required before any new rates can become effective.

INCOME STATEMENT

Restatement of 1970 Results

1970 results were restated to reflect the May 25, 1971 decision of the Public Utilities Board of Alberta wherein the rate of return charged by The Alberta Gas Trunk Line Company Limited for transportation services was reduced to 8¼% from 8¾% effective from July 1, 1970. The reduction applicable to 1970 amounted to \$509,000 or six cents per common share. The rate of return charged by Alberta Gas Trunk Line has since been established at 8¾% effective from September 1, 1971.

Gas sales revenues for 1971 were \$315,972,770 compared to \$279,880,913 in 1970. Operating profit was \$56,998,814, an increase of \$5,922,133 over 1970.

Net income for 1971 amounted to \$22,249,258 compared to \$20,088,517 in 1970. The amount applicable to common shares in 1971 after deducting \$5,598,414 for dividends on preferred shares was \$16,650,844 compared to \$14,572,768 for 1970.

Cost of gas sold increased by \$16,652,212 or 14% over 1970, consistent with a 13% increase in volumes of gas purchased.

Gathering charges increased to \$38,324,244 from \$30,101,982. This increase is due to operation of new facilities required to transport additional volumes of gas from Alberta and the increased operating costs of the gathering system in that province. Also contributing to this increase is the increased rate of return payable for part of the year on gathering facilities of Trunk Line.

Transmission by others in 1971 rose to \$35,965,893 from \$33,285,621 in 1970 primarily because of higher rates being charged and the increased volumes of gas delivered through the Great Lakes system in 1971 for sale in eastern Canada.

Increased operation and maintenance expenses and

depreciation in 1971 reflect escalating costs together with a full year's cost of owning and operating facilities placed in service late in 1970 and costs associated with facilities constructed during 1971.

During 1971 the Company continued to use depreciation rates of 2% on pipeline, 3½% on compressor stations and other transmission plant and at various rates on general plant equipment. Depreciation is based on straight-line rates determined on the physical and economic life of the assets.

Interest on long-term debt and other interest expense reflects the cost of carrying increased amounts of borrowed funds required to pay for the construction of pipeline facilities. The decrease in amortization of debt discount and expense results from the profit of \$686,000 realized on the purchase of 1987 Series Subordinated Debentures to meet normal sinking fund requirements and from lower foreign exchange costs applicable to the repayment of long-term debt in United States dollars.

Other income is principally interest income realized on the investment, for short periods of time, of surplus funds. The combined operating results of the Company's wholly owned subsidiaries have also been included in other income.

Funds generated from operations during 1971 increased to \$43,328,815 or \$5.21 per common share compared to \$4.85 in 1970.

No income taxes have been payable by the Company to date. This results from claiming certain deductions for income tax purposes, principally depreciation, in excess of the amounts charged to income for accounting purposes, as allowed by the appropriate income tax regulations.

BALANCE SHEET

Assets

To December 31, 1971 the Company had invested \$995,050,969 in gas transmission plant and \$32,260,526 in oil and gas properties and extraction plant facilities. The extraction plant facilities, located at Empress, Alberta, commenced operations early in 1972, and are extracting liquids from the Company's natural gas stream. Commercial production from oil and gas properties commenced early in 1970 and associated costs are being depleted on the unit-of-production method based on total estimated recoverable reserves of oil and gas.

During 1971 the Company invested a further U.S. \$2,500,000 in common shares of Great Lakes Gas Transmission Company and at December 31, 1971 had a total investment in common shares of this company of U.S. \$25,000,000. The Company has an unamortized

balance of \$6,127,025 of "additional costs of gas" which the Company is carrying as a deferred charge. The nature of the deferral and the method used for amortization of this charge is more fully explained in Note 3 to the Consolidated Financial Statements.

At December 31, 1971 other deferred charges amounted to \$2,307,723. This represents primarily the Company's share of costs incurred on Northwest Project Study Group activities.

Liabilities

In March 1971 the Company sold in Canada \$50,000,000 9% Sinking Fund Debentures Series C, the proceeds of which were used to pay for construction expenditures. During July 1971 \$5,000,000 Cumulative Redeemable Preferred Shares were sold privately and the proceeds were applied to the purchase of an additional U.S. \$2,500,000 common shares of Great Lakes Gas Transmission Company and to provide funds for the purchase for sinking fund purposes of Subordinated Debentures due 1987. During 1971 the Company retired through normal sinking fund provisions \$24,542,000 principal amount of First Mortgage Pipe Line Bonds and \$2,500,000 principal amount of Subordinated Debentures.

At December 31, 1971 the Company had outstanding \$40,000,000 in short term promissory notes sold in the commercial paper market in Canada and \$38,800,000 in short term notes payable to commercial banks. During March, 1972, the Company sold in Canada \$125,000,000 of \$2.65 Cumulative Redeemable Convertible Second Preferred Shares Series A.

Advance payments received of \$21,955,050 represents amounts received from others and were used for advance payments on future gas supply. A full explanation is contained in Note 4 to the Consolidated Financial Statements.

Retained earnings increased to \$49,204,211 at December 31, 1971, after providing for dividends. Dividends totalling \$2.80 per share were declared and paid during 1971 on the \$2.80 Cumulative Redeemable Preferred Shares (at the rate of 70¢ per quarter), \$2.75 per share on the \$2.75 Cumulative Redeemable Convertible Preferred Shares Series A (at the rate of 68¾¢ per quarter) and \$1.045 per share on the \$3.50 Cumulative Redeemable Preferred Shares Special Series. Four quarterly dividends of 25¢ per share were declared and paid on common shares.

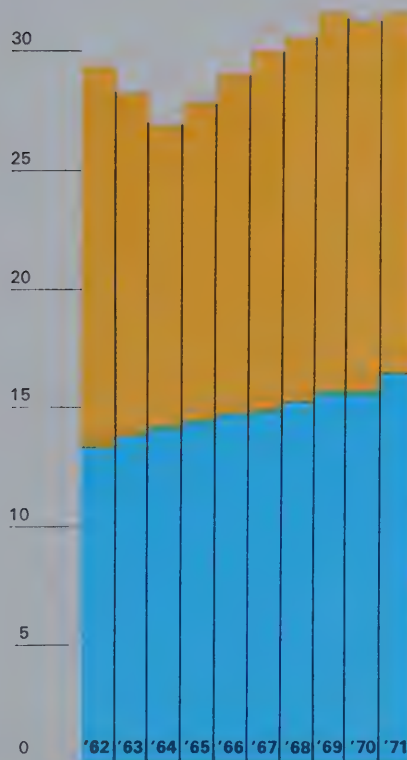
During 1971 Contributed Surplus was credited with \$170,902 being profit from the purchase out of capital during 1971 of 22,235 \$2.80 Cumulative Redeemable Preferred Shares as required by the purchase fund provisions attaching to these preferred shares.

OPERATING COSTS AND COST OF GAS

Cents per thousand cubic feet

■ Operating costs per Mcf. All costs including gas purchases, but excluding income from extraction plant and interest charges.

■ Annual average price paid per Mcf. in Western Canada at 14.73 p.s.i.a. (with B.T.U. and transportation adjustments).



Consolidated Balance Sheet

December 31, 1971 (with comparative figures at December 31, 1970)

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ASSETS

	1971	1970
Plant, Property and Equipment		
Gas transmission plant – at cost (Note 1)	\$995,050,969	\$853,935,241
Less accumulated depreciation	162,678,093	142,985,108
	<u>832,372,876</u>	<u>710,950,133</u>
Interest in extraction plant project under construction – at cost	17,983,635	4,561,029
Oil and gas properties – at cost (Note 2)	14,276,891	11,650,532
Less accumulated depreciation and depletion	720,764	261,455
	<u>13,556,127</u>	<u>11,389,077</u>
	<u>863,912,638</u>	<u>726,900,239</u>
Investment in and Advances to Great Lakes Gas Transmission Company – at cost (Note 3)	28,243,393	25,684,799
Advance Payments on Future Gas Supply (Note 4)	22,238,683	22,314,050
Current Assets		
Cash	3,478,334	2,636,564
Deposits with trustees	2,025,100	574,459
Temporary cash investments	700,000	21,500,000
Accounts receivable	35,082,802	31,874,379
Materials and supplies – at cost	5,256,457	4,691,313
Line pack gas – at cost	1,719,608	1,512,768
Gas stored underground – at cost	626,710	284,547
Prepayments and deposits	1,039,856	678,644
	<u>49,928,867</u>	<u>63,752,674</u>
Deferred Charges		
Unamortized debt discount and expense	12,525,807	12,710,046
Great Lakes project (Note 3)		
Additional costs of gas	6,127,025	6,729,775
Preliminary charges	159,039	238,558
Other	2,307,723	979,465
	<u>21,119,594</u>	<u>20,657,844</u>
	<u>\$985,443,175</u>	<u>\$859,309,606</u>

See accompanying notes to financial statements.

TransCanada PipeLines Limited

and Subsidiary Companies

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SHAREHOLDERS' EQUITY AND LIABILITIES

1971

1970

Shareholders' Equity

Capital stock (Note 5)

Preferred—Authorized — 4,930,785 shares of a par value of \$50.00 per share

—Issued and outstanding

—\$2.80 cumulative redeemable shares

1971 — 930,785 shares	\$ 46,539,250	
1970 — 953,020 shares		\$ 47,651,000

—\$2.75 cumulative redeemable convertible shares — Series A

1971 — 1,016,992 shares	50,849,600	
1970 — 1,023,974 shares		51,198,700

—\$3.50 cumulative redeemable shares special series

1971 — 100,000 shares	5,000,000	
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Common—Authorized — 25,000,000 shares of a par value of \$1.00 per share

—Issued and outstanding

1971 — 8,312,377 shares	8,312,377	
1970 — 8,291,528 shares		8,291,528

110,701,227	107,141,228
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Contributed surplus — per Consolidated Statement	89,423,750	88,703,889
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Retained earnings — per Consolidated Statement	49,204,211	40,878,316
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Shareholders' equity	249,329,188	236,723,433
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Deferred Credit (Note 6)	1,094,822	2,189,639
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Advance Payments Received (Note 4)	21,955,050	21,955,050
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Long-Term Debt (Note 7)	545,206,957	506,389,010
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Notes Payable (Note 8)	78,800,000	6,221,312
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Current Liabilities

Long-term debt due within one year	26,848,025	26,877,641
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Notes payable	1,881,826	23,488,925
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Accounts payable	46,457,054	23,139,488
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Interest accrued	10,353,927	8,881,130
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Dividends payable	3,516,326	3,443,978
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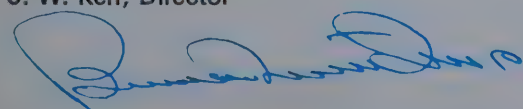
89,057,158	85,831,162
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\$985,443,175	\$859,309,606
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On behalf of the Board:



J. W. Kerr, Director



Beverley Matthews, Director

Consolidated Statements

Year ended December 31, 1971 (with comparative figures for 1970)

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INCOME

	1971	1970
Operating Revenues		
Gas sales	\$315,972,770	\$279,880,913
Gas transportation	1,086,795	1,073,894
Other	942,019	530,626
	<u>318,001,584</u>	<u>281,485,433</u>
Operating Expenses		
Cost of gas sold (Note 3)	133,323,391	116,671,179
Gathering charges	38,324,244	30,101,982
Transmission by others (Note 3)	35,965,893	33,285,621
Operation and maintenance	28,952,846	27,692,772
Amortization of Deferred Credit (Note 6)	(1,094,817)	(1,094,817)
Depreciation (Note 1)	21,200,387	19,364,849
Taxes – provincial and municipal	4,330,826	4,387,166
	<u>261,002,770</u>	<u>230,408,752</u>
Operating profit	56,998,814	51,076,681
Interest and Other Deductions		
Interest on long-term debt	37,858,067	28,746,716
Amortization of debt discount and expense less gain on purchase of Subordinated Debentures	(326,942)	686,483
Other interest expense	1,683,556	4,758,269
Other income (credit) (Note 16)	(527,034)	(465,033)
Allowance for funds used during construction	(3,938,091)	(2,738,271)
	<u>34,749,556</u>	<u>30,988,164</u>
Net Income for the Year (Note 9)	<u>\$ 22,249,258</u>	<u>\$ 20,088,517</u>
Net income applicable to common shares		
Net income for the year (above)	\$ 22,249,258	\$ 20,088,517
Less provision for dividends on preferred shares	5,598,414	5,515,749
Net income applicable to common shares	<u>\$ 16,650,844</u>	<u>\$ 14,572,768</u>
Net income per common share (average shares outstanding – Note 10)		
Actual	\$2.01	\$1.76
Fully diluted	<u>\$1.91</u>	<u>\$1.71</u>

RETAINED EARNINGS

	1971	1970
Balance at beginning of year (Note 9)	\$ 40,878,316	\$ 34,587,138
Net income for year	22,249,258	20,088,517
	<u>63,127,574</u>	<u>54,675,655</u>
Dividends declared		
Preferred	5,620,548	5,509,670
Common	8,302,815	8,287,669
	<u>13,923,363</u>	<u>13,797,339</u>
Balance at end of year (Notes 11 and 12)	<u>\$ 49,204,211</u>	<u>\$ 40,878,316</u>

See accompanying notes to financial statements.

TransCanada PipeLines Limited

and Subsidiary Companies

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CONTRIBUTED SURPLUS

	1971	1970
Balance at beginning of year	\$88,703,889	\$88,276,484
Premium on common shares issued (Note 5)	557,703	142,267
Credit resulting on purchase and cancellation of \$2.80 Cumulative Redeemable Preferred Shares (Note 5)	170,902	285,138
	89,432,494	88,703,889
Capital stock expense written off	8,744	—
Balance at end of year	\$89,423,750	\$88,703,889

SOURCE AND APPLICATION OF FUNDS

	1971	1970
Funds were derived as follows		
Current operations		
Net income	\$ 22,249,258	\$ 20,088,517
Add back non-cash items		
Depreciation	21,200,387	19,364,849
Other (net)	(120,830)	745,346
	43,328,815	40,198,712
Advance payments received	—	21,955,050
Increase in notes payable	72,578,688	—
Issue of securities — net proceeds		
6%% First Mortgage Pipe Line Bonds	—	37,619,658
Sinking Fund Debentures		
10% Series A due 1990	—	48,628,624
9¼% Series B due 1990	—	57,265,296
9% Series C due 1991	48,765,018	—
\$3.50 Cumulative Redeemable Preferred Shares Special Series	4,991,256	—
Bank loans — TransCanada GasProducts Ltd.	18,000,000	—
Common shares	228,961	107,397
	\$187,892,738	\$205,774,737

Funds were applied as follows

Additions to		
Gas transmission plant	\$143,020,485	\$ 60,740,350
Extraction plant project	13,422,606	4,537,389
Oil and gas properties	2,626,831	2,605,258
Advance payments on future gas supply	—	22,314,050
Great Lakes project		
Investment in Great Lakes Gas Transmission Company	2,558,594	—
Additional costs of gas	—	229,468
Long-term debt retirement	27,416,105	22,235,388
Reduction in notes payable	—	76,688,469
Purchase and cancellation of \$2.80 Cumulative Redeemable Preferred Shares	940,848	977,612
Dividends		
Preferred	5,620,548	5,509,670
Common	8,302,815	8,287,669
Other	1,063,325	509,821
Increase (decrease) in working capital exclusive of changes in current portion of long-term debt	(17,079,419)	1,139,593
	\$187,892,738	\$205,774,737

Notes

Notes to Consolidated Financial Statements December 31, 1971

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1. GAS TRANSMISSION PLANT

The TransCanada natural gas transmission system extends from the Alberta-Saskatchewan border across the Provinces of Saskatchewan, Manitoba and Ontario and through a portion of the Province of Quebec.

The Company has provided for depreciation at the rate of 2% on pipeline, 3½% on compressor stations and other transmission plant and at various rates on general plant equipment. Depreciation is based on straightline rates determined on the physical and economic life of the assets.

2. OIL AND GAS PROPERTIES

All expenditures relate to exploration and development of oil and gas reserves and accordingly have been capitalized. Commercial production commenced early in 1970 and exploration and development costs are being depleted on the unit-of-production method based on total estimated recoverable reserves of oil and gas.

3. GREAT LAKES GAS TRANSMISSION COMPANY

Great Lakes Gas Transmission Company (Great Lakes) is a United States corporation owned equally by the Company and American Natural Gas Company (American Natural). Great Lakes owns and operates a 36-inch pipeline system extending from Emerson, Manitoba, through Minnesota, Wisconsin and Michigan to Sarnia, Ontario.

The Company and American Natural have each invested U.S. \$25,000,000 in common shares of Great Lakes to December 31, 1971.

A summary of Great Lakes balance sheet as of December 31, 1971, and statement of income and retained earnings for the year then ended, with comparative figures for 1970 follows:

BALANCE SHEET (United States dollars)

Assets	1971	1970
Property, plant and equipment	\$307,350,049	\$276,136,776
Less: Accumulated depreciation	22,051,492	13,735,744
	<u>285,298,557</u>	<u>262,401,032</u>
Current assets	43,426,055	26,467,390
Deferred charges	7,111,011	7,613,225
	<u>\$335,835,623</u>	<u>\$296,481,647</u>
Liabilities		
Common stock	\$ 50,000,000	\$ 45,000,000
Retained earnings (deficit)	119,880	(1,125,413)
Notes payable to banks	260,000,000	230,000,000
Current liabilities	22,809,829	19,165,256
Deferred credits	2,905,914	3,441,804
	<u>\$335,835,623</u>	<u>\$296,481,647</u>

STATEMENT OF INCOME AND RETAINED EARNINGS

(United States dollars)

	1971	1970
Operating revenues	\$ 70,593,593	\$ 45,949,565
Operating expenses	41,733,375	22,034,337
Depreciation	8,394,668	7,852,529
Federal and State income taxes	1,302,000	(2,250,000)
Interest expense (net)	17,918,257	20,463,218
	<u>69,348,300</u>	<u>48,100,084</u>
Net profit (loss)	1,245,293	(2,150,519)
Retained earnings (deficit) at beginning of period	(1,125,413)	1,025,106
Retained earnings (deficit) at end of period	<u>\$ 119,880</u>	<u>\$ (1,125,413)</u>

No portion of the retained earnings of Great Lakes has been recorded in the Company's accounts.

Prior to the commencement of deliveries of natural gas from western Canada through the Great Lakes system, the Company entered into short-term contracts for the purchase of natural gas from suppliers in the United States to assist in the orderly development of markets in eastern Canada. The difference between the actual cost of this short-term supply and the ultimate selling price of gas delivered through the Great Lakes system to the storage fields near Dawn, Ontario, is considered to be one of the costs of bringing the Great Lakes system into operation. This difference is carried on the Company's balance sheet under the caption "Great Lakes project - Additional costs of gas" and, commencing in 1968, is being amortized to operating expenses over a period presently estimated to be 10 years at the rate of ¼¢ per Mcf of throughput through the Great Lakes system.

The major portion of the costs incurred by the Company in connection with the Great Lakes project has been charged to Great Lakes. Amounts not charged are carried on the Company's balance sheet under the caption "Great Lakes project - Preliminary charges" and are being amortized to operating expenses in five equal annual instalments commencing in 1969.

Great Lakes transportation charges for the period November 14 to December 31, 1971, are based on transportation rates negotiated with Great Lakes and are subject to Federal Power Commission approval. Until approval of the Commission is received, the Company is required to pay, subject to refund with interest, higher provisional rates as filed by Great Lakes with the Commission on April 16, 1971. The difference of \$599,119 between the payments made to Great Lakes and the negotiated rates for the above period is carried in Accounts Receivable.

4. ADVANCE PAYMENTS RECEIVED

Advance payments for future gas deliveries have been received from several United States gas companies in return for the right to purchase up to 190 million cubic feet per day of the next gas which the Company has available for export on a long-term basis. The funds were used to make advance payments on future gas supplies. The liability in respect of the advance payments received will be extinguished either by delivery of gas or, under certain circumstances, may become repayable in cash with interest but such payments would not commence prior to November 1, 1972. If interest should become payable the liability at December 31, 1971, would be approximately \$2,400,000. The Company will propose to the National Energy Board that, if any interest is incurred, the appropriate accounting would be to amortize such cost over the future gas deliveries as received.

5. CAPITAL STOCK

The \$2.80 Cumulative Redeemable Preferred Shares are redeemable at the option of the Company at \$52.00 per share on or before May 1, 1973, and thereafter at redemption prices reducing in progressive steps to \$50.50 per share after May 1, 1977. As required, the Company maintains a purchase fund which, subject to certain conditions, is replenished annually on each February 1 to an amount equal to 2% of the par value of the \$2.80 Cumulative Redeemable Preferred Shares outstanding on the preceding December 31. This purchase fund is applied, subject to certain conditions, to purchase these preferred shares for cancellation to the extent, if any, that such shares are available at a price not exceeding \$50.00 per share plus costs of purchase. A total of 22,235 \$2.80 Cumulative Redeemable Preferred Shares were purchased out of capital and cancelled by application of this fund during 1971 resulting in a credit to Contributed Surplus of \$170,902 being the difference between the par value and the cost of the preferred shares purchased.

As at December 31, 1971, 499,951 Share Purchase Warrants, which had been issued in association with the sale of the \$2.80 Cumulative Redeemable Preferred Shares, were outstanding. Each warrant is exercisable to April 30, 1976, and entitles its holder to purchase one common share for \$41.00 or at such adjustment of that price as may be required to be made under the terms of the warrant. 499,951 common shares are reserved for the exercise of Share Purchase Warrants.

The \$2.75 Cumulative Redeemable Convertible Preferred Shares

Series A are redeemable at the option of the Company at \$52.50 per share commencing May 1, 1973, and thereafter at redemption prices reducing in progressive steps to \$50.50 per share after April 30, 1984. On February 1, 1971, the Company created a purchase fund equal to 2% of the par value of the Preferred Shares Series A outstanding on December 31, 1970. To date, shares have not been purchased from this fund. The terms and conditions under which this purchase fund operates are substantially the same as those of the purchase fund relating to the \$2.80 Cumulative Redeemable Preferred Shares. The \$2.75 Cumulative Redeemable Convertible Preferred Shares Series A are convertible to May 1, 1978, or the day prior to redemption, whichever is earlier, into common shares of the Company on the basis of 1-6/7 common shares for each share converted. During 1971, 12,969 common shares were issued under this conversion privilege. The foregoing conversion basis is subject to adjustment in certain circumstances. 1,888,701 common shares are reserved for conversion of Preferred Shares Series A.

The \$3.50 Cumulative Redeemable Preferred Shares Special Series were issued in July 1971. These shares must be redeemed on or before July 15, 1976, if not previously exchanged at the option of the holders for an equivalent par value of Cumulative Preferred Shares.

The 5% Convertible Subordinated Income Debentures due 1989 are convertible to December 1, 1974, into common shares at a conversion price of \$41.00 per share or at such adjustment of that price as may be required to be made under the terms of these convertible debentures. During 1971, thirteen common shares were issued under this conversion privilege. 611,475 common shares are reserved for the conversion of the 5% Convertible Subordinated Income Debentures due 1989. The convertible debentures are now redeemable at the option of the Company.

At December 31, 1971, 161,401 common shares were reserved for the exercise of options granted or which may be granted under the terms and conditions of the Company's Incentive Stock Option Plan. There were outstanding options on 119,500 shares under this plan at prices varying from \$25.72 to \$42.69 the last of which expires in 1981. During 1971, 7,867 shares were issued under this plan for a cash consideration of \$228,853.

6. DEFERRED CREDIT

On May 29, 1963, the Company purchased from the Northern Ontario Pipe Line Crown Corporation the Northern Ontario Section which the Company had formerly leased and operated as an integral part of its system. This Section, which consisted of 676 miles of pipeline and five compressor stations, is located between the Manitoba-Ontario border and Kapuskasing, Ontario.

In accordance with the procedures established under the Uniform Classification of Accounts for Gas Pipe Line Companies, the National Energy Board approved a method of accounting for the purchase whereby the amount of \$10,948,175 was to be credited to "Deferred Credit" and amortized in ten equal annual instalments commencing in 1963.

7. LONG-TERM DEBT

The following issues were outstanding at December 31:

	1971	1970
TRANSCANADA PIPELINES LIMITED		
First Mortgage Pipe Line Bonds		
Due 1978		
5¼% U.S. Series—U.S. \$40,634,000	\$ 40,634,000	\$ 46,442,000
5½% Canadian Series	9,252,000	10,576,000
6¼% U.S. Series—U.S. \$3,526,000	3,526,000	3,982,000
6¼% Canadian Series	1,979,000	2,257,000
Due 1983		
5¼% U.S. Series—U.S. \$61,874,804	66,637,229	72,269,920
6¼% Canadian Series	29,788,951	32,307,359
Due 1985		
5¼% U.S. Series—U.S. \$31,103,168	33,548,384	35,974,028
Due 1987		
6¼% U.S. Series—U.S. \$109,920,000	118,452,346	125,693,974
Sinking Fund Debentures		
Due 1990 (Sinking funds commence in 1976)		
10% Series A	50,000,000	50,000,000
9¾% Series B	60,000,000	60,000,000
Due 1991 (Sinking fund commences in 1977)		
9% Series C	50,000,000	—
Subordinated Debentures due 1987		
5.60% U.S. Series—		
U.S. \$18,749,800	\$18,749,800	
5.85% Canadian Series	48,750,200	
	67,500,000	
Less—Company owned	1,278,600	66,221,400
		69,539,700
Convertible Subordinated Income Debentures		
(Note 5)		
5% due 1989	25,070,500	25,071,100
TRANSCANADA GASPRODUCTS LTD.		
Bank loans (7¼%) due from 1972 to 1978	18,000,000	—
	573,109,810	534,113,081
Less—Long-term debt due within one year		
Canadian \$26,848,025	27,902,853	
Canadian \$26,877,641		27,724,071
	\$545,206,957	\$506,389,010

Based on the rate of exchange prevailing at December 31, 1971, \$245,187,477 would be required to discharge the long-term portion of the U.S. currency debt outstanding at December 31, 1971. Such long-term debt is repayable over a period extending to 1987 and is included in the above table in the amount of \$259,291,462.

Under the provisions of the Indenture relating to the Sinking Fund Debentures the Company will apply, subject to certain conditions, an amount equal to 2% of the aggregate principal amount, separately for each issue, for the purchase in the market of Series A, Series B and Series C debentures for each 12 month period ending, with respect to the Series A and Series B debentures, June 20 and September 20 in the years 1972 to 1975, inclusive, and with respect to the Series C debentures, March 20 in the years 1972 to 1976 inclusive, respectively. These debentures are to be purchased to the extent that such debentures are available at prices, including costs of purchase, that do not exceed the principal amount plus accrued interest to the date of purchase. The purchased debentures are to be delivered to the Trustee for cancellation.

Part of the 1972 sinking fund requirements for the Subordinated

Debentures due 1987 will be provided for by debentures owned by the Company and consequently that portion of sinking fund payments so provided for are not included in the liability for long-term debt due within one year.

Maximum long-term debt retirements approximate \$28,300,000 for the year 1973, \$29,900,000 for the years 1974 and 1975 and \$34,550,000 for the year 1976.

The Deed of Trust and Mortgage securing the First Mortgage Pipe Line Bonds provides for increased sinking fund payments if a Certificate of Gas Supply indicates exhaustion of gas supply earlier than specified dates. As required, the Company's gas purchase, sales and gas product sales contracts and the contracts with The Alberta Gas Trunk Line Company Limited and Great Lakes Gas Transmission Company are mortgaged and pledged under the Deed of Trust and Mortgage.

8. NOTES PAYABLE

Notes payable are due within one year and these are not included in Current Liabilities as it is intended that they will be replaced by long-term financing during 1972. (Note 18).

9. ADJUSTMENT TO 1970 FINANCIAL STATEMENTS—GATHERING CHARGES

Gathering charges have been restated for the year 1970 reflecting the May 25, 1971 decision of the Public Utilities Board of Alberta wherein the rate of return charged by The Alberta Gas Trunk Line Company Limited for transportation services was reduced to 8¼% from 8% effective from July 1, 1970 to August 31, 1971. This restatement increases net income for 1970 by \$509,158. Retained Earnings has been adjusted accordingly.

10. NET INCOME PER COMMON SHARE

The net income per common share is calculated using the weighted daily average number of common shares outstanding during the respective fiscal years. The calculation of net income per common share on a fully diluted basis reflects the conversion into common shares of the \$2.75 Cumulative Redeemable Convertible Preferred Shares Series A.

Conversion of the 5% Convertible Subordinated Income Debentures due 1989 into common shares and the exercise of the outstanding Share Purchase Warrants and of the outstanding options granted under the Company's Incentive Stock Option Plan would not decrease net income per common share and, therefore, have been excluded from the calculation.

11. RESTRICTION ON DIVIDENDS

Declaration of dividends on both preferred and common shares is restricted under the provisions of several of the instruments relating to the issue of securities. Under the most restrictive provisions \$36,100,000 was available for payment of dividends on preferred shares, subject to the preferential rates provided, and \$15,300,000 was available for payment of dividends on common shares at December 31, 1971.

12. INCOME TAXES

As allowed by the appropriate regulations, the Company has followed the practices and principles of claiming certain deductions for income tax purposes, principally depreciation, in excess of the amounts charged to income for accounting purposes. As a result no income taxes have been payable to date. If the appropriate tax regulations had not permitted such deductions, income taxes

would have been payable in the amount of \$11,200,000 for the year 1970, \$11,700,000 for the year 1971 and to an accumulated amount of \$78,900,000 at December 31, 1971.

The Company has represented to the National Energy Board that it proposes to follow the practices and principles of recording only income taxes currently payable in both its accounting and rate design and has been instructed that no change should be made in these procedures without the approval of the National Energy Board. In its recent decision (Note 17) the National Energy Board has accepted these practices and principles for current rate design.

Since there is a reasonable expectation that all income taxes payable by the Company in future years will be included in the Company's allowed cost of service and will be recoverable from customers at that time, the Company has followed the taxes payable basis of accounting.

13. REMUNERATION OF DIRECTORS AND OFFICERS

Remuneration paid to directors, excluding three directors who are officers of the Company and who did not receive any remuneration as such, amounted to \$75,200. On April 13, 1971, the Board of Directors was reduced in number from twenty-one to eighteen. Remuneration paid to seventeen officers amounted to \$654,950.

14. CAPITAL EXPENDITURES

During 1972 the Company estimates that \$130,000,000 will be expended principally for pipeline construction, oil and gas properties and extraction plant construction. In addition, subject to National Energy Board approval and other conditions, principally the arranging of the necessary financing, the Company estimates that a further \$430,000,000 may be expended on pipeline construction during 1972 and 1973.

15. TRANSLATION OF FOREIGN CURRENCY

All current assets and current liabilities in foreign currency are translated to the Canadian equivalent at December 31, 1971. The investment in Great Lakes Gas Transmission Company is stated at its Canadian equivalent determined at the dates of investment. Long-term debt due after one year is stated at the greater of par or its Canadian equivalent determined at the dates of sale of the respective issues.

16. PRINCIPLES OF CONSOLIDATION

The consolidated statements include, in addition to the accounts of

TransCanada PipeLines Limited, the accounts of its subsidiaries, all of which are wholly-owned. The operations of the subsidiary companies are relatively minor in comparison to the transmission operations of the Company and have therefore been included in the consolidated statement of income under the caption "Other income (credit)".

17. GAS SALES RATES

On January 10, 1972 the National Energy Board issued a decision on the first phase of the Company's application for an upward adjustment in its gas sales rates. This decision provides for a rate of return of 9% on a rate base consisting principally of the Company's investment in depreciated historical cost utility plant. A further submission to the National Energy Board as to the appropriate revision to gas sales rates is to be filed and approved before increased gas sales rates can become effective.

In its decision, the Board reduced the Company's rate base by approximately \$1.4 million representing costs incurred with respect to its 1969 upgrading program which costs are included in gas transmission plant in the accompanying consolidated financial statements. The Board in its decision permitted the Company to include the \$1.4 million in its cost of service over a 10 year period and thereby recover these costs from customers. Notwithstanding this decision, the Company has been directed by the Board to record this transaction for accounting purposes in its accounts by reducing gas transmission plant by \$1.4 million and by charging a like amount to retained earnings in 1972 as a prior year adjustment. Since the Company considers this accounting direction is at variance with the rates decision, the Company proposes to apply to the Board for approval to account for this transaction in a manner consistent with the rates decision. Accordingly, the prior year adjustment which, if recorded, would reduce gas transmission plant, 1969 net income and retained earnings by \$1.4 million has not been reflected in the accompanying consolidated financial statements at this time.

18. NEW FINANCING

The Company has filed a preliminary prospectus covering the sale of Cumulative Redeemable Convertible Second Preferred Shares Series A. It is proposed that the proceeds to be derived from the sale of these Preferred Shares will be used principally to repay short-term notes payable (Note 8). The amount and terms of the Preferred Shares will be determined at a later date.

PEAT, MARWICK, MITCHELL & CO.

CHARTERED ACCOUNTANTS

PRUDENTIAL BUILDING
4 KING STREET WEST
TORONTO 105, ONTARIO

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of TransCanada PipeLines Limited and its subsidiary companies as of December 31, 1971 and the consolidated statements of income, retained earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and its subsidiary companies at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



scrubbers, at top, cleaning natural gas as it enters compressor station in western Canada. Below, TransCanada control plane CF-119 over right-of-way, near North Bay, Ontario



Income (in thousands of dollars)

Operating Revenues

Gas sales	
Gas transportation	
Other	

Operating Expenses

Cost of gas sold	
Gathering charges	
Transmission by others	
Operation and maintenance	
Northern Ontario Section of main line	
Depreciation	
Taxes—provincial and municipal	

Operating profit	
Financial expenses (net)	

Net income	
Provision for dividends on preferred shares	

Net income applicable to common shares	
--	--

Net income per common share	
—actual	
—fully diluted	

Dividends declared, per common share	
--	--

Dividend payout ratio, common shares	
--	--

Return on common equity—year end	
--	--

Cash flow from current operations	
—per common share	

Balance sheet (in thousands of dollars)

Plant, property and equipment	
—gross (including extraction plant project and oil and gas properties)	
—net	

Annual additions	
----------------------------	--

Long-term debt	
--------------------------	--

Shareholders' equity	
—total	
—common	
—per common share	

Statistics

Miles of pipeline—including loop line	
---	--

Compressor horsepower	
---------------------------------	--

Gas sales volume Mmcf	
—annual	
—maximum day, gas delivered for sale and transportation	

Number of employees—average	
---------------------------------------	--

Common shares outstanding	
—year end	
—average	

Shareholders, December 31	
-------------------------------------	--

	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
\$	315,973	279,881	231,403	194,713	167,259	153,431	136,782	119,612	102,523	87,834
	1,087	1,074	1,002	946	863	700	191	—	—	—
	942	531	215	131	116	117	116	113	106	92
	318,002	281,486	232,620	195,790	168,238	154,248	137,089	119,725	102,629	87,926
	133,324	116,671	101,487	95,481	78,880	67,539	54,074	45,009	35,912	29,825
	38,324	30,102	20,264	17,243	15,802	15,348	14,476	12,266	11,169	10,339
	35,966	33,286	22,845	4,416	337	—	—	—	—	—
	28,953	27,693	24,893	22,341	19,419	17,061	15,613	12,872	10,230	7,877
	(1,095)	(1,095)	(1,095)	(1,095)	(1,095)	(1,095)	(1,095)	(1,095)	5,611	11,415
	21,200	19,365	18,026	15,818	14,974	14,282	13,575	12,365	9,438	6,665
	4,331	4,387	3,987	3,238	2,745	2,447	2,289	2,191	1,991	1,835
	261,003	230,409	190,407	157,442	131,062	115,582	98,932	83,608	74,351	67,956
	56,999	51,077	42,213	38,348	37,176	38,666	38,157	36,117	28,278	19,970
	34,750	30,988	27,347	21,074	22,317	22,165	23,987	22,874	19,350	13,904
	22,249	20,089	14,866	17,274	14,859	16,501	14,170	13,243	8,928	6,066
	5,598	5,516	5,595	4,648	2,800	1,750	—	—	—	—
\$	16,651	14,573	9,271	12,626	12,059	14,751	14,170	13,243	8,928	6,066
\$	2.01	1.76	1.12	1.53	1.47	1.86	1.87	1.99	1.52	1.03
\$	1.91	1.71	1.12	1.53	1.47	1.84	1.83	1.79	1.50	1.03
\$	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	—	—
%	49.75	56.82	89.29	65.36	68.49	55.87	53.48	56.82	—	—
%	11.33	10.57	7.07	9.77	9.61	12.14	13.72	13.87	14.68	12.05
\$	43,329	40,199	33,436	32,771	29,950	30,780	27,881	25,870	18,469	14,150
\$	5.21	4.85	4.04	3.97	3.64	3.74	3.67	3.43	3.15	2.41
\$1,027,311	870,147	805,483	731,455	648,851	617,578	587,644	562,329	512,682	329,420	
863,913	726,900	678,964	620,025	553,051	536,250	520,074	507,840	470,177	306,503	
159,070	67,900	77,900	83,300	31,800	30,700	26,000	51,000	184,000	31,800	
545,207	506,389	386,542	350,026	365,424	359,237	391,819	365,779	376,812	214,319	
249,329	236,723	231,302	230,762	175,539	171,504	103,263	95,453	60,832	50,344	
146,940	137,874	131,149	129,262	125,539	121,504	103,263	95,453	60,832	50,344	
17.68	16.63	15.83	15.65	15.25	14.77	13.60	12.67	10.38	8.59	
4,007	3,797	3,638	3,425	3,107	3,073	2,882	2,753	2,604	2,399	
857,990	854,825	753,660	710,560	643,360	574,160	545,060	523,510	363,810	270,910	
830,736	737,922	605,040	515,959	438,994	401,037	358,286	316,718	271,090	237,259	
2,803	2,696	2,298	2,045	1,694	1,356	1,249	1,196	941	813	
1,335	1,237	1,209	1,121	1,014	954	918	872	805	723	
8,312,377	8,291,528	8,285,717	8,258,776	8,232,749	8,225,499	7,594,735	7,534,529	5,861,383	5,861,183	
8,301,404	8,286,770	8,275,656	8,237,822	8,228,166	7,919,632	7,561,743	6,666,651	5,861,383	5,861,183	
27,552	29,420	30,160	32,586	35,472	35,241	33,829	30,107	32,009	31,864	

Shareholders desiring further information on TransCanada PipeLines may obtain a copy of the booklet 'Operating and Statistical Information 1962-71' by writing directly to R. G. Wall, Vice-President and Treasurer, TransCanada PipeLines, 150 Eglinton Avenue East, Toronto 315, Ontario

[illegible][illegible][illegible][illegible]

Our pipeline has 5800 landlords.



The Trans-Alberta Pipeline runs over 2,000 kilometers (1,200 miles) through the heart of Canada's agricultural heartland. It crosses through 5,800 different land parcels, each with its own owner. This means the pipeline has 5,800 landlords.

Each of these landlords has the right to be consulted about the pipeline's route and operation. This process is called "consultation." It's a key part of the pipeline's approval process. It ensures that the needs and concerns of all those affected by the pipeline are taken into account.

The pipeline's route is not a straight line. It follows the contours of the land, avoiding sensitive areas like wetlands and wildlife habitats. This careful planning is essential to protect the environment and the livelihoods of the people who live and work in the area.

The pipeline is a vital part of Canada's energy infrastructure. It allows oil to be transported from the oil fields in Alberta to the coast, where it can be shipped overseas or refined for use in Canada. Without the pipeline, Canada's oil resources would be much less accessible.

But the pipeline is not just about oil. It's also about the people and the land. It's about the communities that have thrived along its route for generations. It's about the farmers who grow the food that feeds us all. It's about the natural beauty of the Canadian landscape.

As we move forward with the pipeline, we must remember that it is a shared resource. We must work together to ensure that it serves the best interests of all Canadians.



Canadian Pipeline Association

[illegible]

Power to the Pipeline.

The pipeline is a marvel of engineering, designed to transport the world's largest supply of oil from the North Slope of Alaska to the Gulf of Mexico. The pipeline is 800 miles long, with a diameter of 48 inches. It is built to withstand the harsh conditions of the North Slope, where temperatures can drop to -60 degrees Fahrenheit. The pipeline is supported by a series of steel towers, and it is insulated with a special material to prevent the oil from freezing. The pipeline is also designed to be flexible, so it can bend and twist as it moves through the terrain. The pipeline is a vital link between the North Slope and the rest of the world, and it is a testament to the power of human ingenuity.



**As our system expands we
create new jobs in Canada.**



These Consultants in Montreal, Ontario are responsible for a company's marketing strategy and sales. They are also responsible for the company's financial and administrative functions. The team is led by a senior consultant who has been with the company for over 10 years. The team is currently working on a project to expand the company's operations into new markets.

When a firm has an employee base and a good track record, it can attract new business. This is why we are looking for experienced consultants who can help us expand our operations. We are looking for people who can help us create new jobs in Canada.

Our system is designed to help you create new jobs in Canada. We are looking for people who can help us expand our operations. We are looking for people who can help us create new jobs in Canada.



Circle 10 on Reader Service Card

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Corporate Information

TransCanada PipeLines Limited

A COMPANY INCORPORATED BY SPECIAL ACT OF THE PARLIAMENT OF CANADA,
OWNS AND OPERATES 4,007 MILES OF GAS TRANSMISSION PIPELINE IN CANADA

EXECUTIVE OFFICE

150 EGLINTON AVENUE EAST, TORONTO 315, ONTARIO

HEAD OFFICE

407 EIGHTH AVENUE S.W., CALGARY 2, ALBERTA

SUBSIDIARIES (WHOLLY OWNED)

ALBERTA INTER-FIELD GAS LINES LIMITED, PRESENTLY INACTIVE

BANNER PETROLEUMS LIMITED, PRESENTLY INACTIVE

INTERNATIONAL PIPELINE ENGINEERING LIMITED

A COMPANY CARRYING ON THE BUSINESS OF ENGINEERING, DESIGN AND
SUPERVISION OF CONSTRUCTION OF PIPELINES AND ASSOCIATED FACILITIES

TransCanada GasProducts Ltd

A COMPANY OWNING AN INTEREST IN A GAS EXTRACTION PLANT AND CARRYING
OUT OIL AND GAS EXPLORATION AND PRODUCTION IN WESTERN CANADA

WESTERN PIPE LINES

A COMPANY INCORPORATED BY SPECIAL ACT OF THE PARLIAMENT OF CANADA,
HOLDING CERTAIN LANDS IN CANADA

AFFILIATE (50% OWNED)

GREAT LAKES GAS TRANSMISSION COMPANY

A DELAWARE COMPANY OWNING AND OPERATING A PIPELINE THROUGH THE UNITED
STATES FROM EMERSON, MANITOBA, TO SAULT STE. MARIE AND SARNIA, ONTARIO

COMMON SHARES

TRANSFER AGENTS

MONTREAL TRUST COMPANY

MONTREAL, TORONTO, WINNIPEG, REGINA, CALGARY AND VANCOUVER

FIRST NATIONAL CITY BANK, NEW YORK

REGISTRARS

NATIONAL TRUST COMPANY, LIMITED, TORONTO

BANKERS' TRUST COMPANY, NEW YORK

PREFERRED SHARES

TRANSFER AGENT AND REGISTRAR

NATIONAL TRUST COMPANY, LIMITED

MONTREAL, TORONTO, WINNIPEG, CALGARY AND VANCOUVER

BONDS

TRUSTEE

CANADIAN SERIES

5½%, 6¼%, 6¾% FIRST MORTGAGE PIPE LINE BONDS

NATIONAL TRUST COMPANY, LIMITED, TORONTO

U.S. SERIES

5½%, 5¾%, 5¾%, 6¼%, 6¾% FIRST MORTGAGE PIPE LINE BONDS

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, NEW YORK

SINKING FUND DEBENTURES

TRUSTEE

10% SINKING FUND DEBENTURES, SERIES A

9¾% SINKING FUND DEBENTURES, SERIES B

9% SINKING FUND DEBENTURES, SERIES C

CROWN TRUST COMPANY, TORONTO

SUBORDINATED DEBENTURES

TRUSTEE

CANADIAN SERIES

5.85% SUBORDINATED DEBENTURES

MONTREAL TRUST COMPANY, TORONTO

U.S. SERIES

5.60% SUBORDINATED DEBENTURES

FIRST NATIONAL CITY BANK, NEW YORK

CONVERTIBLE DEBENTURES

TRUSTEE

5% CONVERTIBLE SUBORDINATED INCOME DEBENTURES

THE ROYAL TRUST COMPANY, TORONTO



TransCanada PipeLines